

Message Text

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71

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SUBJECT: SWAZILAND THERMAL POWER PLANT AND
WORLD BANK HESITATION

1. SUMMARY. MINISTER FINANCE STEPHENS TOLD
AMBASSADOR MAY 20 ATTAINMENT OF INDEPENDENCE IN
ELECTRICAL ENERGY IS SWAZILAND'S FIRST ECONOMIC
PRIORITY. STEPHENS SAID UNLESS SWAZILAND MOVED
NOW TO CONSTRUCT THERMAL POWER PLANT, BY 1980
KINGDOM WOULD BE DEPENDENT UPON RSA SOURCE ESCOM
FOR 70 PERCENT ITS ELECTRICITY. SWAZILAND AND
SOUTH AFRICAN PURCHASERS HAVE AGREED ON PRICE FOR
SWAZI ELECTRICITY. STEPHENS EXPRESSED CONCERN
ABOUT DIFFICULTIES AT TECHNICAL LEVEL IN IBRD
DESPITE FAVORABLE REACTIONS FROM PRESIDENT MCNAMARA.
END SUMMARY.

2. ACCORDING MINISTER FINANCE STEPHENS SWAZILAND'S
IMPERATIVE NEED TO ACQUIRE THE MEANS GENERATE
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ELECTRICITY ECONOMICALLY IS WELL KNOWN TO IBRD.

HE SAID SWAZILAND WILL HAVE TO BUY 70 PERCENT OF ITS ELECTRICITY FROM THE REPUBLIC BY 1980 UNLESS THE KINGDOM CAN BEGIN NOW TO CONSTRUCT THERMAL POWER GENERATING PLANTS BASED ON ITS COAL RESOURCES. ACCORDING STEPHENS, IBRD OFFICIALS WERE OBSERVERS AT LATEST SWAZI-ESCOM NEGOTIATING SESSIONS WHERE IT WAS AGREED TO BUILD 600 MEGAWATT PLANT IN STAGES. GOS NOW REVISING PLANS WITH VIEW BEGINNING CONSTRUCTION ON TWO THERMAL POWER GENERATING STATIONS EACH 100 MEGAWATTS AS FIRST STAGE TOTAL PROJECT. STEPHENS SAID CONSULTANTS WERE DEVELOPING COST ESTIMATES FOR THE MODIFIED PROJECT WHICH WOULD BE SUBMITTED TO THE BANK SOON. ESCOM HAS AGREED PURCHASE SURPLUS SWAZI ELECTRICITY AS BACK-UP POWER AT COST. THIS COST HIGHER TO RSA THAN FOR ELECTRICITY PRODUCED RSA.

3. SWAZIS CONCERNED AND FRUSTRATED BY ATTITUDE WORKING-LEVEL IBRD OFFICIALS. FOR YEARS, STEPHENS SAID, DESPITE FAVORABLE ATTITUDES MCNARAMA AND BELL, WORKING-LEVEL IBRD OFFICIALS HAVE BEEN RELUCTANT RECOGNIZE NECESSITY SWAZILAND BECOME INDEPENDENT OF RSA FOR ELECTRICITY. STEPHENS ACKNOWLEDGED THAT THERMAL POWER STATIONS WOULD BE OF SOME VALUE TO RSA BUT POINTED OUT THIS VALUE MARGINAL TO THAT ACCRUING TO SWAZILAND. HE SAID SWAZIS TIRED OF BEING TOLD THAT IBRD NOT CERTAIN WHETHER THERMAL POWER BEST USE OF SWAZI COAL SUPPLIES. GOS ENVISAGES IBRD AS FINANCING HALF THE COST AND ASSISTING WITH FORMATION CONSORTIUM FOR REMAINDER OF NECESSARY FINANCING.

4. AMBASSADOR SAID HE SYMPATHETIC WITH SWAZI DESIRE HAVE ITS OWN SOURCE ELECTRICAL POWER. HE AGREED WITH MINISTER FINANCE THAT MODERNIZATION AND EXPANSION INDUSTRY AS WELL AS ABILITY ATTRACT PRIVATE CAPITAL INVESTMENT DEPENDENT UPON SECURE POWER SUPPLY. AMBASSADOR POINTED OUT AMERICAN MANUFACTURERS HIGHLY COMPETENT IN ELECTRICAL FIELD AND EXPRESSED HOPE STEPHENS WOULD KEEP EMBASSY INFORMED AS COST ESTIMATES AND REVISED PLANS EMERGE.

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5. COMMENT: EMBASSY AGREES WITH GOVERNMENT SWAZILAND THAT SYMPATHETIC CONSIDERATION SHOULD BE GIVEN TO SWAZILAND MOVING AHEAD TO EXPAND ECONOMIC BASE BY ACQUIRING MEANS PRODUCE ITS OWN ELECTRICITY. ANCILLARY BENEFITS TO RSA SHOULD NOT RPT NOT BE PERMITTED OVER-RIDE THIS PRIORITY THEREBY PERPETUATING SWAZILAND DEPENDENCE ON SOUTH AFRICA. WHEN SWAZI PROPOSALS FINAL EMBASSY WILL REQUEST DEPARTMENT SEEK CONSULTATION

WITH APPROPRIATE OFFICIALS IBRD TO ENCOURAGE FAVORABLE
CONSIDERATION PROJECT.
BOLEN

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